

## Fiscal Year 2012 Proposed Budget Summary

The budget for the multi-year Capital Improvements Program (CIP) allocates existing funds and anticipated revenues to rehabilitate, restore, improve, enhance, and increase the City's capital facilities. This budget supports the design and construction of a wide range of infrastructure improvement projects and other significant capital infrastructure investments. Projects include the development of park land, construction of water and sewer facilities, acquisition of land for City use, installation of traffic signals or street lighting systems, seismic retrofit of bridges, improvement of street and drainage systems, construction or renovation of City buildings, and acquisition of information technology infrastructure. These funds are derived from various sources, including sewer and water fees, a one half-cent local sales tax for transportation improvements (TransNet and TransNet Extension), development impact fees, sale of City-owned property, and State and federal grants. Bonds are usually issued for large and costly projects with an extended useful life such as sewer and water treatment plants, pump stations, and pipe replacement or rehabilitation, and deferred capital project needs.



### Overview of the Fiscal Year 2012 Proposed CIP Budget

The Fiscal Year 2012 Proposed CIP Budget totals \$253.4 million. This is a reduction of \$46.2 million or 15.4 percent from the \$299.6 million added to the multi-year CIP in the Fiscal Year 2011 Adopted CIP Budget. This reduction is primarily due to Public Utilities' assessment of project spending and execution rates, which led to a reprioritization of projects for Fiscal Year 2012. The CIP budget identifies and separates funding that was uncertain to be received at the time the budget was proposed. This funding may be appropriated during the fiscal year when the funding is received and is reflected as Anticipated in the CIP project pages. For Fiscal Year 2012, an additional \$200.4 million of funding for CIP projects is anticipated but not appropriated through this budget. Fiscal Year 2012 Anticipated funding includes approximately \$100.0 million of bond financing that is anticipated to come before Council in late Fiscal Year 2012 to support deferred capital projects.

Deferred capital projects and Americans with Disabilities Act (ADA) obligations continue to be significant priorities for the City. Since Fiscal Year 2008, approximately \$142.0 million has been appropriated for facilities, streets, storm drains and other deferred capital projects, funded by proceeds from land sales, bond financing, and Proposition 1B funding. Over the last five years, the City has been assessing the condition and needs of infrastructure assets. Assessments have been completed for a large portion of the City's General Fund supported streets, buildings and storm drains. The backlog of deferred capital and maintenance needs for these assessed assets is estimated to be \$840.0 million. The Five-Year Financial Outlook issued in February 2011 forecasts additional proposals for bond financing to come before City Council in late Fiscal Years 2012 and 2015 to continue efforts to address the City's backlog of deferred capital projects. In addition, \$30.0 million of land sale proceeds have been appropriated to support ADA improvements since Fiscal Year 2008.

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Water and sewer projects in the Fiscal Year 2012 Proposed CIP Budget are funded by water and sewer rates. On February 26, 2007, the City Council approved water and sewer rate increases for fiscal years 2008 through 2011. Water rates increased by 6.5 percent each year from Fiscal Year 2008 through Fiscal Year 2011. Sewer rates increased 8.75 percent in May 2007 and May 2008, 7.0 percent in May 2009, and 7.0 percent in May 2010. The revenues generated from these rate increases are projected to fund approximately \$473.9 million of water projects through Fiscal Year 2012 and approximately \$314.2 million of sewer projects through Fiscal Year 2012.

The Fiscal Year 2012 Proposed CIP Budget includes \$15.7 million of TransNet Extension cash to support essential transportation improvements that relieve traffic congestion, increase safety, and improve air quality. These improvements include performing repairs, restoring existing roadways, and constructing assets within the public rights-of-way. The City's share of TransNet revenue is based on population and the number of local street and road miles maintained. Through a cooperative effort with the San Diego Association of Governments (SANDAG), the City of San Diego is able to manage the fund so that the most pressing transportation problems are addressed in accordance with TransNet goals.

This year, two key CIP components were emphasized during the budget development process – priority scores and operating impacts. Due to the size and complexity of the CIP and the detailed requirements of the CIP prioritization policy (Council Policy 800-14), priority scores were only provided for transportation projects in the Fiscal Year 2011 Adopted Budget. This fiscal year, priority scores are included for all existing and new projects and are reflected on each project page. In addition, efforts have been made to improve the quality of operating budget impact information provided for each project in accordance with the City budget policy (Council Policy 000-02). For further information on priority scores and the policies that govern the CIP budget development process, see the Program Overview section in Volume III of the Fiscal Year 2012 Proposed Budget.

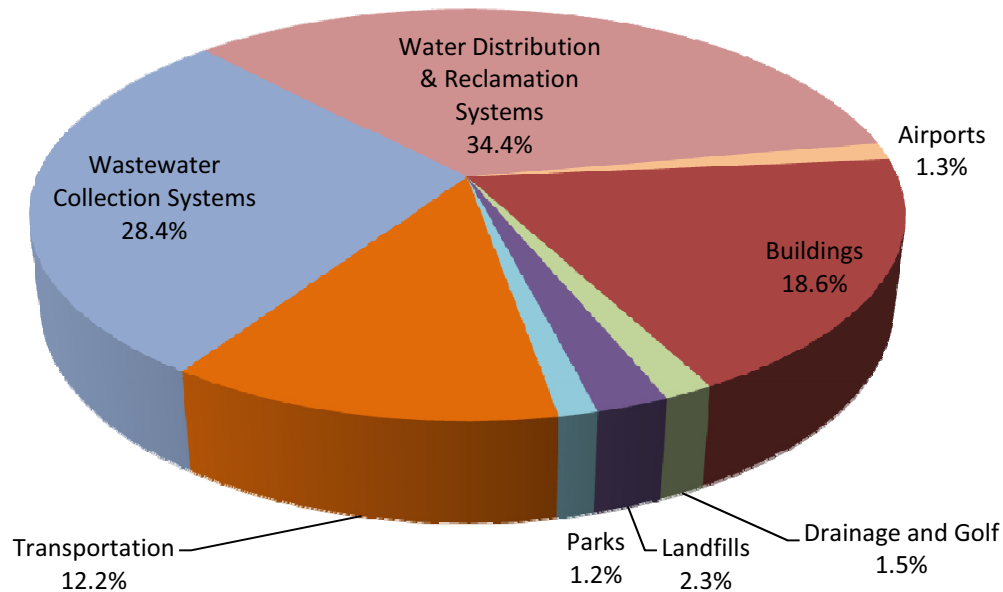


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**Figure 1** displays the Fiscal Year 2012 Proposed CIP Budget by asset type. Water and wastewater projects account for 62.8 percent of the total Fiscal Year 2012 Proposed CIP Budget. Buildings, which include libraries, public safety facilities, pump stations and treatment plants, account for 18.6 percent of the Fiscal Year 2012 Proposed CIP Budget. Transportation projects account for 12.2 percent, whereas all others projects account for a combined 6.4 percent of the budget.

**Figure 1: Fiscal Year 2012 Proposed CIP Budget**



**Table 1** shows the total Fiscal Year 2012 Proposed CIP Budget compared with the Fiscal Year 2011 Adopted CIP Budget by asset-owning department. As previously noted, the most significant change is in the Public Utilities allocation due to an assessment of project spending and execution rates. The Fiscal Year 2012 Proposed Budget amount of \$253.4 million will be added to the approximately \$898.6 million of unspent budget from prior years to support continuing and new CIP projects.

**Table 1: Fiscal Year 2012 Proposed CIP Budget by Department Compared to Fiscal Year 2011**

Department	FY 2011 Adopted Budget <sup>1</sup>	FY 2012 Proposed Budget	Change
Airports	1,800,000	3,410,510	1,610,510
Environmental Services	4,425,000	5,733,000	1,308,000
Fire-Rescue	550,000	3,000,000	2,450,000
General Services	500,000	175,000	(325,000)
Library	233,000	700,000	467,000
Park and Recreation	16,476,517	5,999,292	(10,477,225)
Police	-	1,822,864	1,822,864
Public Utilities	240,879,776	200,491,144	(40,388,632)
QUALCOMM Stadium	750,000	-	(750,000)
Real Estate Assets	450,000	100,000	(350,000)
Transportation & Storm Water	33,555,605	32,003,818	(1,551,787)
<b>TOTAL</b>	<b>299,619,898</b>	<b>253,435,628</b>	<b>(46,184,270)</b>

1. Fiscal Year 2011 Adopted Budget amounts have been revised to reflect restructuring resulting from the establishment of the new Transportation & Storm Water Department.



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### Highlights of the Fiscal Year 2012 Proposed CIP Budget by Department

For additional information on budgeted capital projects, please refer to the individual department sections in Volume III of the Fiscal Year 2012 Proposed Budget. The Public Works - Engineering and Capital Projects Department manages and implements approximately 90 percent of CIP projects. The following CIP project highlights are organized by the department responsible for operating and maintaining the asset once completed.

#### Airports

The Department's Fiscal Year 2012 Proposed CIP Budget is \$3.4 million. This is an increase of \$1.6 million over the Fiscal Year 2011 Adopted CIP Budget to support taxiway and runway rehabilitations at Brown and Montgomery Fields. Funding for the department's projects are from a variety of sources, including revenue from leases, parking fees, landing fees, fuel flowage fees, and Federal Aviation Administration (FAA) grants.

#### Environmental Services

The Department's Fiscal Year 2012 Proposed CIP Budget is \$5.7 million and is primarily funded by the Refuse Disposal CIP Fund. Major projects for Fiscal Year 2012 include:

- \$1.8 million for Arizona Street Landfill
- \$1.8 million for Future Waste Management Disposal and Processing Facilities
- \$1.3 million for South Chollas Landfill

#### Fire-Rescue

The Department's Fiscal Year 2012 Proposed CIP Budget is \$3.0 million for the Fire Station No. 45 – East Mission Valley project funded from Mission Valley Development Impact Fees.



#### Public Works - General Services

The Department's Fiscal Year 2012 Proposed CIP Budget is \$175,000 for the Fleet Services Fitting Facility Expansion. Additional bond financing of approximately \$31.0 million is expected in late Fiscal Year 2012 for a portion of the deferred capital backlog of City buildings. This funding is listed in the CIP budget as Fiscal Year 2012 Anticipated.

#### Library

The Department's Fiscal Year 2012 Proposed CIP Budget is \$700,000 for the Library Collection Conversion to RFID (Radio Frequency Identification) project supported by the Public Library Grant. The Department's major project is the San Diego New Central Library, with a total project cost of \$184.9 million; the budget includes continuing appropriations and anticipated funding

from the Centre City Development Corporation, private donations and a lease agreement with the San Diego Unified School District. Anticipated funding in Fiscal Year 2012 for the New Central Library is \$32.5 million.

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### Park and Recreation

The Department's Fiscal Year 2012 Proposed CIP Budget is \$6.0 million. Park and recreation projects are funded by a variety of sources, including facilities benefit assessment, park development, development impact, and maintenance assessment district fees; Mission Bay lease revenue; golf course enterprise funds; and State and federal grants. Projects for Fiscal Year 2012 are located throughout the park system and include children's playground upgrades; accessibility improvements; comfort stations; picnic shelters; sports field and security lighting; new park development; and golf course improvements and upgrades. Additional grant, facilities benefit assessment fees, and other funding of \$7.7 million is anticipated in Fiscal Year 2012.



### Public Utilities

The Department's Fiscal Year 2012 Proposed CIP Budget is \$200.5 million. Funding for water and wastewater projects are provided by a variety of sources which include bond financing, water and sewer rates, state revolving fund loans, and grants. The Department's CIP budget supports the infrastructure for a reliable water supply and wastewater collection and treatment. The CIP budget includes water projects contained in the Compliance Order from the California Department of Public Health and the execution of Federal Consent Decree projects for the wastewater system. These projects will meet the requirements of the federal Safe Drinking Act and Clean Water Act, and provide for the needed replacement/rehabilitation of aging infrastructure. Major projects for Fiscal Year 2012 include:

- \$ 80.1 million for Water Main Replacements
- \$ 53.5 million for Sewer Main Replacements
- \$ 13.0 million for replacement of trunk sewers
- \$ 7.8 million for CIS ERP Implementation
- \$ 8.8 million for Water Pump Station Rehabilitations
- \$ 5.5 million for Sewer Pipeline Rehabilitation
- \$ 5.3 million for MBC – Biosolids Storage Silos

### QUALCOMM Stadium

No additional funding is included in the Fiscal Year 2012 Proposed CIP Budget for QUALCOMM Stadium. The Department's existing projects and on-going needs will be supported by the approximately \$1.4 million of appropriations continuing from prior years.

### Real Estate Assets

The Department's Fiscal Year 2012 Proposed CIP Budget is \$100,000 from the Concourse & Parking Garage Operating Fund for the Evan V. Jones Parkade Parking Equipment Upgrade project.



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### Transportation & Storm Water

The Department's Fiscal Year 2012 Proposed CIP Budget is \$32.0 million. An additional \$130.3 million of funding is anticipated in Fiscal Year 2012 from a variety of sources, including grants, donations and the next tranche of deferred capital project bonds (estimated at \$69.0 million) to support various storm water and transportation projects. Significant allocations of the Fiscal Year 2012 Proposed CIP Budget include:

- \$15.0 million for the Utilities Undergrounding Program
- \$5.4 million for State Route 163 at Friars Road
- \$2.3 million for Palm Avenue Roadway Improvement
- \$1.5 million for the Juan Street Concrete Street
- \$1.3 million for Drainage Projects



### Future Outlook for the City's CIP

The CIP budget identifies \$7.3 billion in total projected CIP project costs through Fiscal Year 2016 and beyond for continuing, new and future projects. Of this amount, \$1.5 billion is currently unidentified funding. This includes two fully unfunded projects totaling \$16.3 million.

The Mayor is committed to funding ADA improvements and deferred capital projects for City assets. Additional bond financing is anticipated to support deferred capital projects in Fiscal Years 2012 and 2015. Work continues on deferred capital and ADA projects funded in prior years.